

Macro Objectives

This exercise is to see what students can work out about the key policy objectives by themselves and to begin to familiarise themselves with some of the UK's recent economic data. Use the digital resource or the printable sheets and ask them to study the data in pairs in the order; unemployment, growth, inflation, budget deficit, current account. This could easily stretch over a few lessons, depending on how much depth you want to go into at this stage.

In each case they should be able to work out a few things without prompting, but possible prompts might be:

Unemployment

Reasons for: Why has unemployment never fallen below 5% in the last 40 years even though the economy has grown quite strongly at times?

Costs: Think about it from the point of view of (i) the government (ii) Businesses and (iii) Households.

GDP growth

Should be similar to unemployment but reversed – in terms of problems, you might want to prompt with questions of what is GDP – is it always good to produce more year after year. These video links might be useful:

What is GDP?

<http://www.bbc.co.uk/news/business-10730689>

Economic bads:

<https://www.youtube.com/watch?v=I2QHj75UImo>

Inflation

Might be worth making everyone clear on what it is:

<http://www.bankofengland.co.uk/education/Pages/resources/films/whatisinflation.aspx>

Prompts (costs): What might it mean for you as an individual, your grandparents, people on the minimum wage, UK firms?

Prompts (causes): What might make a restaurant increase its prices? Why is inflation so high in 1973/4 and 1978/9 when growth is so low? Why might inflation fall sharply in the early 1980s and 1990s (they need to link across to growth/unemployment).

You could follow this with:

<http://www.bankofengland.co.uk/education/Pages/resources/films/whatcausesinflation.aspx>

<http://www.bankofengland.co.uk/education/Pages/resources/films/whydoesinflationmatter.aspx>

https://www.youtube.com/watch?v=mM3_z2RB3YU

Budget deficit

Prompts (causes) – what are the links between unemployment and the budget deficit in the charts (eg post-2007)? Why might this be?

Prompts (costs) – why does it matter if the government is borrowing lots of money?

Page 5 of this link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443232/50325_Summer_Budget_15_Web_Accessible.pdf

has the figures for debt interest.

And this: <http://www.debtbombshell.com> is always entertaining.

Current account

This is difficult to cover properly at this stage. The best idea is to prompt them to think about the circular flow and maybe link back to PPFs interims of being able to consume outside them. The key is that they understand that a current account deficit is not (necessarily) financed by government borrowing – ie that they understand clearly that the budget and trade deficits are different.